

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 30, 2022

The project, 777 West San Carlos , located at 266 & 270 Sunol Street & 777 West San Carlos in San Jose, requested and is being recommended for a reservation of \$6,157,840 in annual federal tax credits and \$19,913,930 in total state tax credits to finance the new construction of 153 units of housing serving families with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Danco Communities and will be located in Senate District 15 and Assembly District 28.

The project will be receiving rental assistance in the form of Section 8 Project-based Vouchers.

Project Number CA-22-536

Project Name 777 West San Carlos
Site Address: 266 & 270 Sunol Street & 777 West San Carlos
 San Jose, CA 95126 County: Santa Clara
Census Tract: 5019.00

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$6,157,840	\$19,913,930
Recommended:	\$6,157,840	\$19,913,930

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Community Revitalization and Development Corporation
Contact: David Rutledge
Address: 635 Parkview Avenue
 Redding, CA 96001
Phone: (530) 241-6960
Email: david@crdc-housing.org

General Partner(s) or Principal Owner(s): Johnson & Johnson Investments, LLC
 Community Revitalization and Development Corp.
General Partner Type: Joint Venture
Parent Company(ies): Danco Communities
 Community Revitalization and Development Corp.
Developer: Danco Communities
Bond Issuer: City of San Jose
Investor/Consultant: Raymond James
Management Agent: Danco Property Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 154
 No. / % of Low Income Units: 153 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt/HUD Section 8 Project-based Vouchers(16 Units-10%)

Information

Housing Type: Large Family
 Geographic Area: South and West Bay Region
 CTCAC Project Analyst: Cynthia Compton

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	102	67%
50% AMI:	16	10%
60% AMI:	35	23%

Unit Mix

50 SRO/Studio Units
 25 1-Bedroom Units
 39 2-Bedroom Units
40 3-Bedroom Units
 154 Total Units

Unit Type & Number	2022 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
17 SRO/Studio	30%	\$884
17 SRO/Studio	30%	\$884
5 SRO/Studio	50%	\$1,473
11 SRO/Studio	60%	\$1,768
8 1 Bedroom	30%	\$947
9 1 Bedroom	30%	\$947
3 1 Bedroom	50%	\$1,579
5 1 Bedroom	60%	\$1,895
13 2 Bedrooms	30%	\$1,137
8 2 Bedrooms	30%	\$1,137
6 2 Bedrooms	30%	\$1,137
4 2 Bedrooms	50%	\$1,896
8 2 Bedrooms	60%	\$2,275
13 3 Bedrooms	30%	\$1,314
8 3 Bedrooms	30%	\$1,314
3 3 Bedrooms	30%	\$1,314
4 3 Bedrooms	50%	\$2,190
11 3 Bedrooms	60%	\$2,628
1 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$12,400,000
Construction Costs	\$93,269,557
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$6,525,404
Soft Cost Contingency	\$539,582
Relocation	\$0
Architectural/Engineering	\$2,200,000
Const. Interest, Perm. Financing	\$6,419,098
Legal Fees	\$200,000
Reserves	\$1,523,357
Other Costs	\$7,846,209
Developer Fee	\$5,280,000
Commercial Costs	\$0
Total	\$136,203,207

Residential

Construction Cost Per Square Foot:	\$788
Per Unit Cost:	\$884,436
True Cash Per Unit Cost*:	\$884,436

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Pacific Western Bank - Tax-Exempt	\$70,700,000	Pacific Western Bank	\$15,100,000
Pacific Western Bank - Taxable	\$1,800,000	City of San Jose Funds	\$19,125,000
County Measure A Funds	\$29,720,215	Measure A Funds	\$29,720,215
City of San Jose Funds	\$18,392,000	Developer Fee	\$1,700,000
Tax Credit Equity	\$15,590,992	Solar Tax Credit Equity	\$275,449
		Tax Credit Equity	\$70,282,543
		TOTAL	\$136,203,207

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$118,419,993
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$153,945,991
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$6,157,840
Total State Credit:	\$19,913,930
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,280,000
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	\$0.86000
State Tax Credit Factor:	\$0.87000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Significant Information / Additional Conditions

The applicant has requested the use of a CUAC utility allowance. CTCAC staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The total development cost per unit is \$884,436. The main factor contributing to the high cost per unit is high land and construction costs.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

CTCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.